

**UMKHANDLU WASEKHAYA
IMPENDLE
LOCAL MUNICIPALITY**



2012/13 ANNUAL BUDGET

30 MAY 2012

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1. MAYORAL SPEECH

Introduction

Since our election into office in March 2006 our municipality has gone through major challenges both at a political and administrative level. It is history now that the challenges escalated to the level where the Provincial Executive resolved to intervene in our affairs in terms of s139 of the constitution. It is also history now that the intervention in terms s139 has been lifted. It is commonly acknowledged that the intervention assisted the municipality to move towards the attainment of the objects of local government as enshrined in the constitution.

I am delighted that through hard work and dedication on the part of council members, management, staff and provincial authorities Impendle Local municipality is able to table a balanced budget and on time. Notwithstanding, it has to be acknowledged that this budget is tight. It is vulnerable to slight market changes such as fuel increases, salary and other increases.

Public Participation

We have visited all stakeholders even those in remote areas as promised in the previous budget and IDP process. Already we've had consultative meetings with all property owners on property rates as well as the IDP. The budget and tariffs will be advertised widely in the press, the website and on our notice boards. The active involvement of our ward committees in the public participation process last year was commendable. This year we have to intensify the involvement of ward committees in the budget and IDP processes as this would continue to entrench participatory democracy in our communities.

Operating Revenue and Expenditure

The bulk of the operating revenue of the municipality is derived from the equitable share allocation as well as conditional grants from both national and provincial governments. The total operating expenditure proposed for Impendle Local Municipality for the 2012/2013 is R 32 533 882 which is 60% of the total budget of the municipality.

The following are the main operating expenditure areas:

- Staff Related Costs-R 12 032 338
- General Expenses – R 12 494 770
- Repairs and Maintenance – R 1 396 375
- Councillors remuneration-R1 485 398

Apart from staff costs our operating budget focuses on the implementation of the Municipal Property Rates, Provision for depreciation, Loan Repayment, Free Basic Electricity, Electrification project, Local Economic Development, Sport, Programs for the elderly, children, youth, the disabled as well as those infected or affected by HIV & AIDS.

Capital Revenue and Expenditure

The bulk of the capital revenue of the municipality is derived from the following Grants:

Municipal Infrastructure Grant allocation 2012/13 Financial year	- R 11 342 009
Electrification Grant Allocation for 2012/13 Financial year	- R 5 000 000
MIG includes 5% allocated to Project Management Unit (PMU)	
COGTA funded projects	- R 5 350 000
Internally funded capital items for 2012/13 financial year	- R NIL

The following is a split of budget into GFS/votes as follows:

	TOTAL BUDGET	GFS % over total budget	R 54 225 891
1	Executive and Council	11	R 5 913 698
2	Budget and Treasury	10	R 5 272 984
3	Solid Waste(Refuse)	0	R Nil
4	Community and Social Services	8	R 4 368 867
5	Corporate Services	14	R 7 638 506
6	Public Safety	1	R 281 975
7	Housing	1	R 784 615
8	Sports and recreation	1	R 750 000
9	Planning and development	40	R 21 710 944
10	Road Transport	14	R 7 688 916
11	Environmental Protection	0	R Nil
12	Health	1	R 400 000
13	Markets	0	R Nil
14	Tourism	0	R 200 000
15	Waste Water Management	0	R Nil

Conclusion

In conclusion I wish to state that this Budget Speech represents as an Executive Summary of our municipality's 2012/13 to 2014/2015 Financial Years Budget and captures only key factors. Details are distributed with the Budget Report and it is presumed that all members of this Council have acquainted themselves with details thereof.

On behalf of the people of Impendle, I move that the Annual Budget of Impendle Local Municipality for the year 2012/2013 Financial Year and the indicative budget for 2013/2014 and 2014/2015 Financial Years be accepted as tabled.

I thank you

2.1 Vision

2.2 Mission

3. COUNCIL MEMBERS

- HW Cllr SG Ndlela
- Cllr SM Makhaye
- Cllr CD Gwala
- Cllr SL Mlaba
- Cllr NG Mvelase
- Cllr PP Mtolo
- Cllr HT Zuma

- Mr SI Mabaso - Municipal Manager
- Mr SG Ngcobo - Manager Corporate and Community Services
- Mr J Mumford - Manager Infrastructure and Planning Services
- Mr TG Pitout – Acting Chief Financial Officer

- Council adopted budget process plan in August 2011
- The Mayor established a Budget Steering Committee in terms of section 4 chapter 2 of Government Gazette No. 31804
- Management and Mayor met to compile the 2012/13 annual budget.
- DORA allocations from both National and Provincial Treasuries were used to determine the 2012/13 allocations to Impendle LM
- Upon further review of the draft submitted budget, minor changes affected the final budget
- The annual budget was presented to Council using the budget schedule templates it was approved by Council on the 30th May 2012

- The anticipated 2012/13 Surplus of R1 040 345 was made available to balance the 2012/13 annual budget.
- GFS/Standard Classification was acknowledged in the process.

- Powers and functions were used as a guiding tool
- Tariff of charges was escalated by 6% on average and were not changed from the draft tariffs
- Company contribution on medical aid was calculated on SALGA's collective agreement where 60% of employee's monthly premium for medical aid is cost to employer
- Operating expenditure budget for 2012/13 was drawn up based on 6% incremental percentage used on computation of annual budget for current year's anticipated income & expenditure and the capital budget was drawn up on zero based budgeting. Staff salaries have been budgeted at 8,5%. On top of the inflationary increase of staff salaries was an application of notch increase. Salaries of section 57 managers directly reporting to the Accounting Officer were adjusted to 80% of the salary package of the Accounting Officer.

7. FOCUS AREAS

The annual budget focuses on the following priorities as identified in the IDP:

- Implementation of Municipal Property Rates Act
- Upgrading or construction of Access Roads
- Improvement of Public participation
- Support for Local Economic Development initiatives
- Provision of Free Basic Services
- Development of Human Capital (internally within the municipality and externally in partnership with the Dept of Education and other relevant Stakeholders)
- Upgrading of information and communication systems (internally in the municipality and externally through service providers)
- Electrification Programme
- Construction of Impendle Mill
- Small Town Rehabilitation

8. EXECUTIVE SUMMARY OF A BALANCED DRAFT BUDGET FOR TWO CONSECUTIVE YEARS

	2012/13	2011/12
REVENUE		
Unspent grant received from previous years	1 931 287	4 055 471
Equitable Share Grant	23 775 000	19 887 000
Government Grant Reserve Fund	1 300 000	1 100 000
Conditional Grants	24 001 000	28 717 000
Property Rates and other income	2 178 258	1 835 030
Contribution from surplus of preceding year	1 040 346	2 953 150
	54 225 891	57 447 651
EXPENDITURE		
Salaries and Allowances	12 032 338	10 873 319
General Expenses	17 619 771	15 109 939
Councillors Remuneration	1 485 398	1 119 033
Repairs and Maintenance	1 396 375	1 574 030
Capital Expenditure	21 692 009	28 771 330
	54 225 891	57 447 651
Surplus/Deficit	0	0

NB: The annual budgeted Operating Expenditure (OPEX) for 2012/13 financial year amount to R 32 533 882, 00.

9. DoRA ALLOCATIONS FOR 2012/13 FINANCIAL YEAR

Finance Management Act grant-FMG	1 500 000
Municipal System Improvement Grant-MSIG	800 000
Equitable Share-ES	23 775 000
Municipal Infrastructure Grant-MIG	10 761 000
Library Grant	245 000
Library Services	90 000
Electrification	5 000 000
Property Rates (MPRA)	455 000
COGTA – Small Town Rehabilitation	5 000 000
Sports Grant	150 000
Total	47 776 000

10. 2012/13 ANNUAL BUDGET RESOLUTIONS

To be attached as an extract from Council Minutes of a meeting held on 30th May 2012.

11. TARIFF OF CHARGES

	Unit(s)	2012/13	2011/12
Rates Certificate	Each	R95.00	R90.00
Graveyards	Grave Site	R74.00	R70.00
Hall Hire	Hour	R95.00	R90.00
Refuse	Government Residential Business	R1485pa R410pa R1490pa	R1400pa R380pa R1400pa
Thusong Conference Hall Hire	Hour	R122.00	R115.00
Library copies	Per a4 page	R1.00	R1.00
Library-Printing	Per Copy	R2.50	R2.00
Library-Faxing to local	Per Page	R4.50	R4.00
Library-Faxing to outside 033 code	Per Page	R6.50	R6.00
Rates-Residential	Cents	R0.011	R0.010
Rates-Farmland		R0.002	R0.001
Rates-Small Holdings		R0.002	R0.001
Rates-Industrial		R0.011	R0.010
Rates-Commercial		R0.011	R0.010
Rates-Multipurpose		R0.011	R0.010
Rates-State Owned		R0.004	R0.003
PSI Properties		R0.004	R0.003
Tenders Fees	Per Document	R250.00	R200.00
Billboards	Per Quarter	RNIL	R380.00
Lot 52 Room Rental	Per Month	R600.00	R560.00
Market stalls	Small monthly Medium monthly Large monthly	R100.00 R110.00 R140.00	R95.00 R100.00 R130.00
Taxi Permits	Per taxi per annum	R400.00	R380.00
TLB Hire	Hour	R594.00	R560.00
Tractor Hire	Hour	R140.00	R130.00
Thusong Services Centre rental	Square Meter	R80.00	R73.00

12. FUNCTIONAL ANNUAL BUDGETS & DRAFT SDBIP'S

The Draft Service Delivery and Budget Implementation Plan (SDBIP) will be tabled to the Mayor 14 days after budget approval

13. ANALYSIS SUPPORTING THE ANNUAL BUDGET

Departments	Annual Budget
Executive and Council Services	R 5 384 959
Planning and Infrastructure Services	R 30 175 613
Corporate and Community Services	R 9 169 904
Financial Services	R 9 495 415
TOTAL	R 54 225 891

14. FISCAL OVERVIEW

In order to counter the ever rising inflation rate we have escalated the revenue and expenditure by an average of 6% with exception of staff salaries where an escalation of 8,50% has been budgeted for from the current packages.

15. INVESTMENTS

Call accounts were opened with ABSA, Standard Bank, NED Bank and First National Bank to keep each and every conditional grant separately from the municipal primary account. All receipts and payments are made to and from the municipal primary account.

No	Bank	Account Number
1	NedBank	03-7881012463-3
2	First National Bank	62248415607
3	Standard Bank	636863476
4	Standard Bank	636863484
5	Standard Bank	636864901
6	Standard Bank	253535751
7	ABSA	2071861613
8	ABSA	2071861671
9	ABSA	2071861728
10	NedBank	03-7881012463-9
11	NedBank	03-7881012463-4
12	First National Bank	74337773474
13	First National Bank	74338277441

16. ANNUAL BUDGET & REVENUE RELATED POLICIES AND PROCEDURES

The following policies were presented to council for review on 29 March 2012 where council took a resolution and approved the annual reviewed financial policies which are as follows:

- Assets Management Policy
- Credit Control and Debt Collection Policy
- Indigent Policy
- Banking and Investment Policy
- Supply Chain Management Policy
- Tariff Policy
- Subsistence and Travelling
- Budget Policy
- Anti- Corruption Policy
- Petty Cash Policy
- IT Policy
- Accounting Policy
- Rates Policy
- Write-Off's Policy
- Virement Policy

These have been submitted to Provincial and National Treasuries with the draft annual budget. Should the need to re-submit emerge, they will be forwarded.

17. COUNCILLOR ALLOWANCES

Councillor	Annual Package	Cell Phone Allowance	Total Remuneration
Mayor (Ndlela SG)	327 352	12 570.36	339 922
Makhaye SM	178 342	12 570.36	190 913
Gwala CD	178 342	12 570.36	190 913
Mlaba SL	178 342	12 570.36	190 913
Mvelase NG	178 342	12 570.36	190 913
Mtolo PP	178 342	12 570.36	190 913
Zuma HT	178 342	12 570.36	190 913
TOTAL	1 397 405	87 993	1 485 398

Councillor's salaries were calculated by estimating 7% escalation calculated from packages obtainable from Notice issued by the Minister of Provincial and Local Government in December 2011.

18. SECTION 57 EMPLOYEES PACKAGES

Position	Annual Package
Municipal Manager	705 250
Manager Financial Services (CFO)	374 926
Manager Infrastructure & Planning	562 390
Manager Corporate & Community	562 390
Total	2 204 955

Sec 57 employee salaries were calculated by estimating 8,50% escalation calculated from current packages. Salaries of Section 57 managers directly reporting to the Accounting Officer were budgeted at 80% of the salary package of the municipal manager.

19. NATIONAL REPORTING FORMS TO SUPPORT THE BUDGET

Circular 59 forms are all attached herewith.

20. WAY FORWARD

The municipality has to intensively embark on a program to improve its revenue. At present the municipality is largely funded by grants received from Provincial & National transfers. The implementation of the Municipal Property Rates Act is costing the Municipality more money than what the municipality can collect.

21. CLOSURE

Impendle Local Municipality has critical resource constraints which if not addressed in the short term may lead to further strain in the administration of the municipality.

I thank you

22. ANNEXURES

Item Number	Items
1	Annual Budget Analysis with Mayoral Speech
2	Circular 59 budget templates
3	Annual Budget related Council Resolutions
4	Annual Budget Quality Certificate
5	Annual Budget Schedules
6	Draft Service Delivery and Budget Implementation Plans
7	Electronic and hardcopy versions of above schedules and annexure's